

HEALTH CARE TAX CREDITS FOR SMALL BUSINESSES

Helping small businesses cover the cost of employee health benefits

You may qualify for federal tax credits if you own a small business in Maryland and provide health coverage to your employees. Starting in 2014, the health care tax credit increases to as much as 50 percent of premium expenses for two consecutive years, but you must purchase coverage through Maryland Health Connection to qualify.

How do I qualify for the health care tax credit?

Your small business may qualify for the tax credit for providing health insurance to employees if:

- ✕ you contribute at least 50 percent toward employee premium costs
- ✕ you employ fewer than 25 full-time equivalent employees
- ✕ you pay an average annual salary of less than \$50,000

The contribution requirement also applies to vision, dental and other add-on coverage.

Employers with 10 or fewer full-time equivalent employees paying an average annual wage of \$25,000 or less are eligible for the maximum tax credit.

How much is the tax credit?

The amount of the tax credit depends on your number of full-time equivalent employees, the average annual wages you pay and how much you spend on insurance premiums for employees.

In the first phase of the tax credit, through 2013, there is a sliding scale up to 35 percent of eligible premium expenses. In 2014, the tax credit increases to 50 percent of premium expenses and remains available for a total of two consecutive years.

The tax credits available to small employers with fewer than 25 full-time equivalent employees are shown here, including the credits available through 2013 and the higher amounts available in 2014.

Maximum Tax Credit for Businesses		
	Tax Year(s)	Maximum Tax Credit as a Percentage of Insurance Premium Expenses
Phase One	2010–2013	35%
Phase Two	2014	50%

How do I claim the tax credit?

You claim the tax credit on the annual tax return for your business.

Are nonprofit or tax-exempt small employers also eligible for a tax credit?

Yes, but the amount of the tax credit differs. The same eligibility requirements for number of employees and wages paid that businesses must meet also apply to tax-exempt organizations. The tax credits available to nonprofit or tax-exempt organizations with fewer than 25 full-time equivalent employees are shown here, including the credits available through 2013 and the higher amounts available in 2014.

Maximum Tax Credit for Nonprofit or Tax-Exempt Organizations		
	Tax Year(s)	Maximum Tax Credit as a Percentage of Insurance Premium Expenses
Phase One	2010–2013	25%
Phase Two	2014	35%